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—Allen H. Neuharth
Founder, Sept. 15, 1982



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Today's debate: Prescription drugs

Slashing drug prices for elderly not as difficult as firms claim

OUR VIEW Let Medicare recipients, like HMOs, buy at discount rates.

Here's hard news from the old-age front: As many as one in eight Medicare beneficiaries say they're forced to choose monthly between medications and other household expenses such as food. In a time of expanding drug usage, a senior's out-of-pocket expenses easily can surpass \$100, \$200, even \$300 a month.

The problem stems from the failure of traditional Medicare to cover prescriptions. This leaves almost 13 million older Americans with no drug coverage at all. Even seniors who buy independent coverage face huge costs. Only three of the 10 federally approved Medigap plans include a drug benefit, and in two of those, it amounts to only \$500 a year.

The combination of poor coverage and inescapable need has made the elderly a profitable target for drug makers. According to a report by congressional investigators, retail prices charged for the five best-selling drugs for seniors are on average twice the prices given to favored customers such as HMOs, which negotiate volume discounts.

No wonder the industry expects another year of 20% earnings growth. And no wonder it vehemently opposes a fresh proposal to protect older Americans from high drug costs. The idea is to let Medicare recipients purchase prescription drugs at the discounted rates negotiated by large federal agencies. Those discounts often exceed 50%.

The idea's simplicity is hugely appealing. It gives seniors access to affordable drugs at no significant cost to taxpayers.

The industry says doing so will drive up prices for everyone and force the industry to cut back on innovation. And after spending nearly \$75 million in 1997 on Washington lobbying, plus \$9.7 million in political contributions during the last election cycle, you can be sure Congress will take that threat seriously.

Prices might indeed go up some. Congress'

High cost of getting old

Investigators for a congressional subcommittee compared the retail price of five drugs commonly prescribed for elderly patients against the prices the drug makers charged favored customers. Their findings:

Drug	Treatment	Price to favored customers	Retail price
Zocor	High cholesterol	\$42.95	\$104.80
Prilosec	Ulcers	\$56.38	\$111.94
Norvasc	High blood pressure	\$58.83	\$113.77
Procardia XL	Heart problems	\$67.35	\$126.86
Zoloft	Depression	\$123.88	\$213.72

Source: Committee on Government Reform and Oversight, minority staff report

By Quin Tian, USA TODAY

General Accounting Office concluded last year that a similar but smaller plan to include state governments in the federal purchasing plan could raise prices. But by how much was "uncertain," ultimately depending on the skill of negotiators. Likewise, innovation might suffer. But the Food and Drug Administration is approving new drugs at record rates, and to the degree that drug companies need new drug patents for income, it seems unlikely the flow of new therapies would be inhibited for long.

The nation's elderly need their medications, and they need them at affordable prices. But if it comes to matters of self-interest, every taxpayer in the country might benefit. Healthier seniors mean fewer surgeries, shorter hospital stays and less long-term care, all of which are more expensive than drugs and which are now covered by federal health benefits.

Other proposals to add a traditional drug benefit to Medicare contain huge direct costs to taxpayers — \$15 billion or more a year by even conservative estimates. So if the alternative offers some protection for seniors without costing taxpayers more than start-up costs, why not explore it? Because billion-dollar drug companies say they can't live with it? Millions of ailing elderly can't do otherwise.